

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Logansport Housing Authority
Logansport, Louisiana

December 17, 2003



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Daryl G. Purpera, CPA, CFE

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December 17, 2003

**MR. JOHNNY HAYNES, CHAIRMAN,
AND MEMBERS OF THE
LOGANSPORT HOUSING AUTHORITY
BOARD OF COMMISSIONERS**
Logansport, Louisiana

Transmitted herewith is our investigative report of the Logansport Housing Authority. Our examination was conducted in accordance with Title 24 of the Louisiana Revised Statutes and was performed to determine the propriety of certain allegations received by this office.

This report presents our finding and recommendations as well as your response. Copies of this report have been delivered to the Logansport Housing Authority Board of Commissioners; the United States Department of Housing and Urban Development; the United States Attorney for the Western District of Louisiana; the Honorable Don M. Burkett, District Attorney for the Eleventh Judicial District of Louisiana; and others as required by state law.

Respectfully submitted,

Grover C. Austin, CPA
First Assistant Legislative Auditor

GD:DD:DGP:ss

[LSHA03]

Executive Summary

Investigative Audit Report Logansport Housing Authority

Background *(See page 5.)*

The Logansport Housing Authority is a political subdivision of the Town of Logansport. Its purpose is to provide decent, safe, and sanitary housing for eligible families. It maintains and leases 26 units situated in three locations in Logansport.

The United States Department of Housing and Urban Development (HUD) has the responsibility for administering low-rent housing programs. The primary source of revenue for the housing authority is HUD grants. A five-member board of commissioners appointed by the mayor of Logansport governs the housing authority. During the period covered by the audit, the housing authority had a full-time executive director, full-time secretary, and part-time maintenance man.

Finding *(See pages 7-20.)*

From October 29, 1997, through June 26, 2003, the former executive director of the Logansport Housing Authority, Ms. Joyce Gates, failed to ensure that \$156,434 in housing authority funds was either deposited or spent appropriately. Specifically, Ms. Gates:

- Failed to deposit \$20,576 in rent collections
- Purchased personal items including a truck, sofa, chairs, fireplace equipment, dining room set, dishwasher, and yard fence for \$29,040
- Made payments to an individual for contract labor totaling \$7,673 during a period when he was incarcerated and thus unable to perform any work for the housing authority
- Paid herself raises and bonuses totaling \$19,800 that was not approved by the housing authority board
- Made payments totaling \$50,555 to five separate companies for which she may have had a personal financial interest
- Purchased \$4,986 of goods and services that appear unrelated to any of the normal operations of a housing authority and thus violated HUD regulations

- Required the housing authority maintenance man to perform personal work for her valued at \$1,536, which included mowing her lawn and splitting firewood during his work hours
- Hired immediate family members, including her daughter and son in violation of state law and HUD regulations
- Typed minutes for board meetings that do not appear to have occurred

In addition, items purchased by the housing authority costing \$3,250 are missing. These items include a power washer, chain saw, refrigerator, and portable building.

Recommendations (See pages 21-22.)

The mayor should, prior to appointing a new commissioner, clarify the duties and responsibilities involved and ensure that the individual is willing and capable of performing those duties and responsibilities as a board commissioner. The board commissioners should be active participants in the daily operation of the housing authority, providing direction and support to the executive director.

The Board should review its bylaws and the policies and procedures set forth by HUD. Specifically, the board commissioners and executive director should:

- (1) review expenditures at each meeting ensuring that proper documentation accompanies each check and that the funds are expended for the benefit of the housing authority;
- (2) review the reconciliation of all housing authority accounts;
- (3) ensure that all housing authority checks are co-signed by the chairman and the executive director;
- (4) adopt an amendment to the bylaws to ensure that neither the board chairman nor board commissioners are signing blank housing authority checks or other blank housing authority documents;
- (5) review what constitutes an allowable purchase in the Consolidated Annual Contributions Contract that the housing authority has made with HUD;
- (6) ensure that only allowable expenses are reimbursed;
- (7) ensure that all housing authority checks have supporting original receipts or invoices prior to payment;

- (8) periodically review tenant rent files and inventory files to ensure that the files are updated;
- (9) ensure that housing authority tenants remit their rent payments by check or money order and not cash;
- (10) hold board meetings as required by bylaws and properly record these meetings as required by Revised Statute 42:7.1;
- (11) prepare and approve annual budgets and ensure that the executive director uses housing authority funds in accordance with the approved budget; and
- (12) ensure that purchases are made in accordance with the public bid law when applicable.

Management's Response (*See Attachment I.*)

The Board of Commissioners of the Logansport Housing Authority accepts the findings of this investigative audit. The Board has already adopted many of the recommendations as standard operating procedure and is in the process of reviewing other recommendations for implementation.

Background and Methodology

The Logansport Housing Authority is a political subdivision of the Town of Logansport. Its purpose is to provide decent, safe, and sanitary housing for eligible families. It maintains and leases 26 units situated in three locations in Logansport.

The United States Department of Housing and Urban Development (HUD) has the responsibility for administering low-rent housing programs. The primary source of revenue for the housing authority is HUD grants. A five-member board of commissioners appointed by the mayor of Logansport governs the housing authority. During the period covered by the audit, the housing authority had a full-time executive director, full-time secretary, and part-time maintenance man.

The legislative auditor received information of possible improper expenditures at the housing authority. The procedures performed during this investigative audit consisted of (1) interviewing employees and officials of the housing authority; (2) interviewing other persons as appropriate; (3) examining selected housing authority records; (4) performing observations and analytical tests; and (5) reviewing applicable state and federal laws and regulations.

The result of our investigative audit is the finding and recommendations herein.

Finding

From October 29, 1997, through June 26, 2003, the former executive director of the Logansport Housing Authority, Ms. Joyce Gates, failed to ensure that \$156,434 in housing authority funds was either deposited or spent appropriately. Specifically, Ms. Gates:

- Failed to deposit \$20,576 in rent collections
- Purchased personal items including a truck, sofa, chairs, fireplace equipment, dining room set, dishwasher, and yard fence for \$29,040
- Made payments to an individual for contract labor totaling \$7,673 during a period when he was incarcerated and thus unable to perform any work for the housing authority
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- Made payments totaling \$50,555 to five separate companies for which she may have had personal financial interests
- Purchased \$4,986 of goods and services that appear unrelated to any of the normal operations of a housing authority and thus violated HUD regulations
- Required the housing authority maintenance man to perform personal work for her valued at \$1,536, which included mowing her lawn and splitting firewood during his work hours
- Hired immediate family members, including her daughter and son in violation of state law and HUD regulations
- Typed minutes for board meetings that do not appear to have occurred

In addition, items purchased by the housing authority costing \$3,250 are missing. These items include a power washer, chain saw, refrigerator, and portable building.

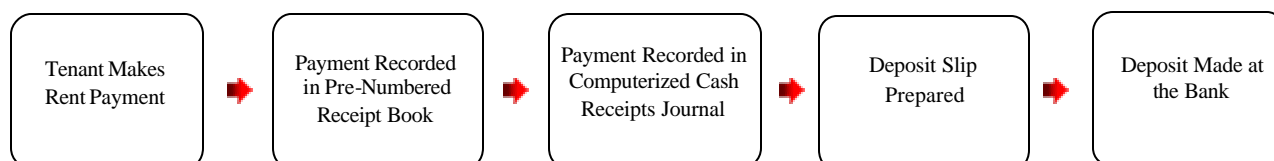
BACKGROUND

The Logansport Housing Authority maintains 26 rental units and receives its revenue from two sources--rent payments by tenants and an operating subsidy from HUD. In each of the two past fiscal years, the operating budget of the housing authority was approximately \$75,000, of which approximately 40% is rent income and 60% is the operating subsidy. The largest expense is salary, followed by insurance, utilities, and administration.

A five-member board of commissioners governs the housing authority. The mayor of Logansport appoints the commissioners. The executive director has general supervision over the business affairs of the housing authority and is responsible for the management of the housing authority projects. The bylaws of the housing authority require both the executive director and the chairman to sign all checks. The board of commissioners sets the compensation of the executive director.

RENT PAYMENTS NOT DEPOSITED

Between June 2001 and May 2003, \$20,576 in rent collections was not deposited. Rent collections are supposed to be recorded in pre-numbered receipt books and then recorded in a cash receipts journal. Each receipt in the receipt book has two copies--one goes to the tenant and one stays in the book. The information on the receipt is handwritten and signed by the housing authority employee who collected the payment. The cash receipts journal is a computer spreadsheet with separate columns identifying the tenant, the amount owed, the amount paid, and the date paid. Once the rent payment is recorded in the receipt book and the cash receipts journal, a deposit ticket is prepared and a deposit is made into the housing authority's bank account.



Housing authority documents show that collections were not always recorded in the cash receipts journal and deposited. While the pre-numbered receipts book shows \$74,527 collected, only \$53,951 was recorded in the cash receipts journal and deposited; the remaining \$20,576 was not deposited.

According to Ms. Gates, she and her daughter, Ms. Vicki Fisher, collected cash/checks and prepared pre-numbered receipts. Ms. Gates would then input the information from the pre-numbered receipt books into the cash receipts journal. As she did this, she would put an "X" on each individual cash receipt ticket in the pre-numbered receipt books. She stated that the two amounts should match. She or her daughter would then prepare the deposit slip. She also stated that several tenants borrowed money from her personally. These tenants would pay her back, so on occasion their rent payments would be more than they actually owed. She took the money that these people owed her out of their rent payments. Ms. Gates was not exactly sure of how much money she had lent to tenants but was sure it was much less than \$10,000.

PURCHASE OF PERSONAL VEHICLE/ACCESSORIES/INSURANCE

Ms. Gates used housing authority funds totaling \$20,445 to purchase a personal vehicle including accessories, service, and insurance.

In April 1999, Ms. Gates, on behalf of the housing authority, purchased a Dodge Ram truck for \$17,000. The registration and title for the truck were in the name of the Logansport Housing Authority. Ms. Gates coded the \$17,000 check as a capital improvement expenditure. We could find no evidence that three quotes had been obtained prior to making this purchase as required by Louisiana Public Bid Law (R.S. 38:2212). Moreover, this purchase does not appear to have been budgeted by the housing authority.

ACADIANA DODGE, INC.
1700 SOUTHEAST EVANGELINE THRUWAY
LAFAYETTE, LOUISIANA 70508
TELEPHONE: (504) 282-7891

Date: 04/28/99 BUYER VEHICLE PURCHASE AGREEMENT Salesperson: TAYLOR, SCOTT 110

Purchaser: HOUSING AUTHORITY/TOWN OF LOGANSPORT Bus. Phone: (338) 637-6380 Res. Phone: _____

Address: BOX 470 City: LOGANSPORT State: LA Zip: 71049

Vehicle: 1999 DODGE RAM PICKUP MSRP: \$17,000.00

VIN: 387HC12Y28G199358

Callout: VIN of Dodge Ram purchased by the housing authority

ADAMS Ford, Chrysler, Plymouth & Dodge
Local Telephone 687-5841 687-4367
Shreveport Telephone 222-0342
LOGANSPORT, LOUISIANA 71049

Model: 1999 DODGE DURANGO VIN: 1B4H4P2L2D202048

Callout: VIN of Dodge Ram traded-in on Dodge Durango

TRADE-IN DESCRIPTION: VIN# 387HC12Y28G199358
Make: 1999 DODGE Model: RAM 1500
License No.: 173459 CB Mileage: 25936

The housing authority board members, maintenance man, and secretary were all unaware that the housing authority purchased this truck. To their knowledge, the housing authority only owned a van. Approximately three weeks after Ms. Gates purchased the truck, the housing authority spent \$354 on truck accessories including a hitch, ball mount, bed liner, tailgate protector, and rails. In addition, the housing authority spent \$83 on oil changes and washes for the truck.

In June 2002, Ms. Joyce Gates and her husband, Mr. Aubrey Gates, purchased a Dodge Durango from Adams Dodge in Logansport. The title and registration are in the name of Aubrey and Joyce Gates. The vehicle invoice shows a \$13,200 credit based on the trade-in of a Dodge Ram. The vehicle identification number (VIN) on the Dodge Ram indicates that it is the same Dodge Ram Ms. Gates purchased for the housing authority in April 1999.

Housing authority records show at least six payments on two State Farm insurance policies. These payments total \$3,008. According to a representative from State Farm insurance, these policies cover the Dodge Ram and the Dodge Durango described above. Moreover, the same representative stated that since January 1997, State Farm insurance has insured the housing authority's Ford Aerostar van and no other housing authority vehicle.

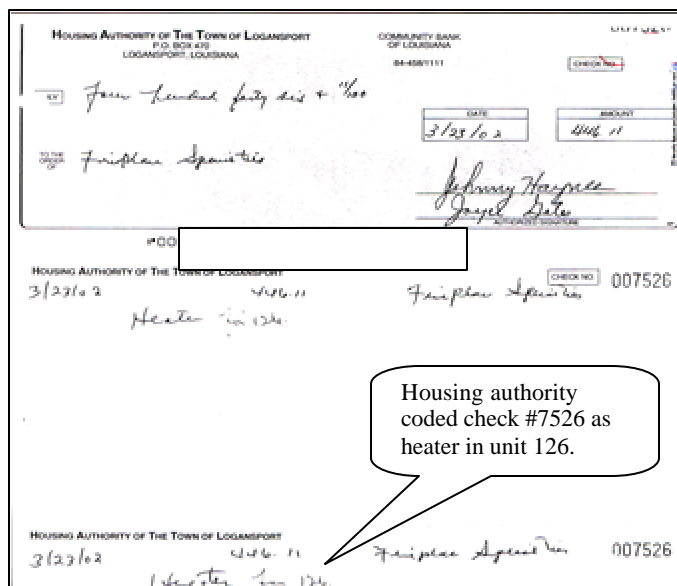
PURCHASE OF FURNITURE FOR PERSONAL USE

Between August 1999 and June 2002, Ms. Gates made six purchases of home furnishings totaling \$3,960. The purchases were made from three companies: Fireplace Specialties, Haverty's, and Ivan Smith's Furniture. The purchases included a fireplace screen, andirons, electric logs/heater, sofa, chairs, screen, dining room set, and portable dishwasher. Only one of the purchases was supported with an invoice. None of these items are currently at the housing authority. According to invoices obtained from the stores where the purchases were made and statements from the housing authority's maintenance man and a housing authority board member, some of the home furnishings appear to have gone to Ms. Gates' personal residence.

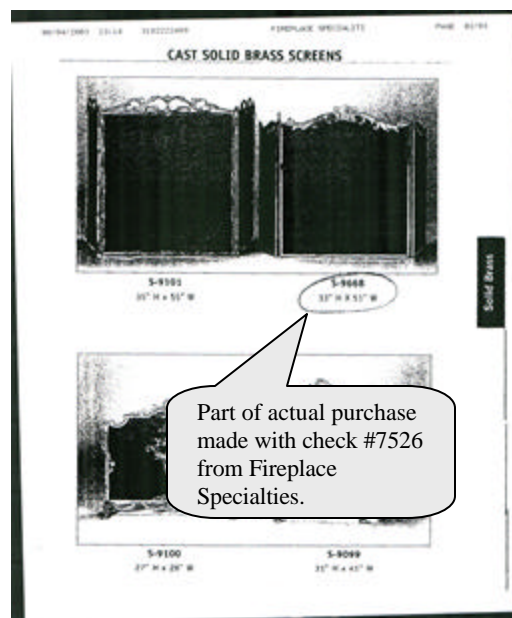
Fireplace Specialties

Two housing authority checks were made payable to Fireplace Specialties-- one for \$446 and one for \$318. The invoice supporting the \$446 check merely gives two item numbers with no detailed description. The check stub indicates that the purchase was for a heater in unit 126. A detailed description of these two item numbers subsequently obtained from Fireplace Specialties indicates that they were a screen and andirons for a fireplace. According to the current executive director, none of the housing units have fireplaces.

There is no invoice supporting the \$318 check to Fireplace Specialties. The invoice subsequently obtained from Fireplace Specialties shows that this purchase was for electric logs and an electric heater. The check stub indicates that the purchase was for "gas, accessories, and office equipment." The maintenance man for the housing authority, Mr. Raymond White, was unaware that the housing authority purchased an electric heater for unit 126 last year.



Housing authority check for \$446 to Fireplace Specialties



Fireplace screen purchased by the housing authority from Fireplace Specialties

Haverty's Furniture

Three housing authority checks (#6818 for \$499.97 on 12/2/99; #6851 for \$45.71 on 1/20/00; and #7370 for \$700.00 on 8/16/01) were made payable to Haverty's Furniture. These checks totaled \$1,246.00. No invoices supported any of these checks. Invoices subsequently obtained from Haverty's indicate that these purchases were for a sofa, chairs, and screen. According to Mr. White, these items were delivered to Ms. Gates' office at the housing authority. Around Christmas 2002, Ms. Gates instructed him to assist her husband, Aubrey Gates, in loading the sofa and chairs in Mr. Gates' truck and delivering them to Ms. Gates' personal residence. In addition, Ms. Janice Blunt, a housing authority board member, stated that during a visit to Ms. Gates' home shortly before Ms. Gates resigned, she saw the sofa in one of Ms. Gates'

bedrooms that had been at the housing authority office.

Ivan Smith's Furniture

On June 13, 2002, the housing authority paid Ivan Smith's Furniture \$1,950. No invoice supported this check. The invoice subsequently obtained from Ivan Smith's Furniture shows that the purchase was for a dining room set and portable dishwasher. The invoice also indicates that the delivery of these items was made to Ms. Gates' personal residence.

08/07/03 08:58 FAX 13188/24240 IVAN SMITH 001

IVAN SMITH FURNITURE & APPLIANCE Date: 06/07/03
Sales Order #: 061121SDME

The Area's #1 Home Furnisher AUTH#44642 LOGANSPT H AUTHORITY
PO BOX 478 LA 71049
LOGANSPT H318-697-4300 H318-697-2270

Quantity	SKU#	Vendor	VSN/Description	LOC	Amount	Est	Act	Res
1	203400	LANE	2034S-01-60/51 5101-60	0219C1	549.99	549.99	01	
1	203440	LANE	2034S-03-40/51 5103-40	0219B1	549.99	549.99	01	
1	690056	STEV	F1690056 ATRIUM SIDEBOARD	002451	123.00	123.00	01	
1	690021	STEV	F1690021 ATRIUM RD TABLE	100000	123.96	123.96	01	
1	444421	STEV	MX444421 44"RD GLASS CLE	100000	39.36	39.36	01	
4	690022	STEV	F1690022 ATRIUM SIDE CHR	100000	46.67	186.68	01	
1	320004	GEAP	GSC320004 WHITE PORT-DISH	0214B1	345.00	345.00	01	

Furniture purchased by the housing authority and delivered to Ms. Gates' residence.

Comments: *****THIS IS A REPRINT OF THE ORIGINAL DOCUMENT*****
DELIVER AFTER 1:00
JOYCE DELIVER TO 1208 DENNIS STREET 84 TOWARDS LOGANSPT 1ST RD
FIRST COJUN CABIN REST TURN LEFT TO STOP SIGN GO RIGHT AND
HOUSE ON THE LEFT

IVAN SMITH FURNITURE	II	Subtotals:	1919.98
1045 WASHINGTON	II	Tax:	.00
MANFIELD LA 71052	II	Delivery:	27.99
PHONE#(318) 872-6171	II	Total:	1947.97
Contract # :	II	Sale Deposit:	.00
Salesperson:AKS	II	COD Amount:	.00
	II	Remaining Balance:	.00

Pick up/ I hereby acknowledge that any amount II
Delivery Date: 06/15/02 I deposited on a SPECIAL ORDER is non- II
I refundable. II
I acknowledge Signature: II
II X II

Customer Acknowledges Receipt of Sales Order#
Merchandise Received in Good Condition:

REPAIR ON PERSONAL VEHICLE

Ms. Gates authorized a payment for \$740 to Gateway Tire and Service Center. The supporting invoice indicates that the purchase was for the Logansport Housing Authority. The invoice details purchases of tires, shocks, and service work for a 1992 Chevy truck. The license plate number for the truck is listed on the invoice. Department of Motor Vehicle records indicate that the truck is registered in the name of Mr. Aubrey Gates.

FENCE PURCHASED BY THE HOUSING AUTHORITY

Ms. Gates authorized a payment to Rafe Eubanks Construction for \$7,126 on May 17, 2001. The housing authority check is supported by invoice #159004 from Rafe Eubanks Construction. The work detailed on the invoice includes siding, roof repair, hood vents, sheet rock, and paint

totaling \$3,231.25, plus a fence, materials, and labor totaling \$3,895. The check stub indicates that the work is for "Construction on units."

According to Mr. Charles Eubanks, owner of Rafe Eubanks Construction, he performed the work described on the invoice. However, he installed the fence at Ms. Gates' personal residence and not the housing authority. Mr. White confirmed that the housing authority did not have a fence.

Mr. Eubanks provided to us a copy of his invoice #159004. No description of fence work appeared on this copy of the invoice. He also provided to us a separate invoice made out to AD Gates where he did bill for a fence. The charge for the fence work on this invoice is \$3,895.00, which is the same charge on the housing authority's invoice. Mr. Eubanks stated further that the handwriting describing the fence work on the housing authority's invoice was not his handwriting.

In addition, Mr. Eubank's invoices to the housing authority and to AD Gates show that both were paid through check #7269. This is a housing authority check for \$7,126.25. The amounts on the two invoices (\$3,231.25 and \$3,895.00) equal \$7,126.25. Moreover, Mr. Eubanks believes that he was paid for both jobs with housing authority check #7269.

CHECKS NOT RECEIVED BY EMPLOYEES

From October 23, 1998, through November 22, 2002, 17 checks totaling \$9,679 were made payable to housing authority employee Mr. Raymond White and his son Mr. Billy White. Two of the checks were coded as bonuses to Mr. Raymond White. The remainder is for contract work done at the housing authority including painting, stripping floors, cleaning, and other repair work. According to both men, they never received these checks.

Housing authority records show that 14 of these checks were made out to Mr. Billy White for contract work performed. These checks covered the period October 1998 to April 2003 and totaled \$7,673. It should be noted that Mr. Billy White was incarcerated at the DeSoto Parish Jail from January 1998 to August 2000; the Fort Wade Correctional Center from August 2000 to October 2000; and the Natchitoches Parish Detention Center from August 2001 to April 2003. Only one of the 14 checks was dated during a period when Mr. Billy White was not in jail.

According to Ms. Gates, whenever Mr. Raymond White would need help at the housing authority, he would get his son to assist him. Mr. Raymond White would tell her how much to pay Billy and she would give the check to him for Billy. She only saw Billy White once, when he came by to get his check.

159004

CUSTOMER'S ORDER NO.		DEPARTMENT		DATE 4-12-01	
NAME Loganport Housing Authority Construction					
ADDRESS P.O. Box 470 Stonehill LA 71078					
CITY, STATE, ZIP Loganport LA 71049					
SOLD BY CASH C.O.D. CHARGE ON ACCT. MOSE RETD PAID OUT					
QUANTITY	DESCRIPTION	PRICE	AMOUNT		
1					
2					
3					
4	Siding unit # 111	220.00			
5					
6					
7	And Vent. sheetrock, paint				
8	off white paint Unit # 121-124	2476.00			
9					
10	Roof, sheetrock, paint				
11	Unit # 111	535.25			
12					
13					
14					
15					
16					
17					
18					
19					
20					
RECEIVED BY		KEEP THIS SLIP FOR REFERENCE			

Housing Authority Copy of Invoice Supporting
Payment to Rafe Eubanks Construction

159004

CUSTOMER'S ORDER NO.		DEPARTMENT		DATE 4-12-01	
NAME Loganport Housing Authority Construction					
ADDRESS P.O. Box 470 Stonehill LA 71078					
CITY, STATE, ZIP Loganport LA 71049					
SOLD BY CASH C.O.D. CHARGE ON ACCT. MOSE RETD PAID OUT					
QUANTITY	DESCRIPTION	PRICE	AMOUNT		
1					
2					
3					
4					
5	Siding unit # 111	220.00			
6					
7	And Vent. sheetrock, paint				
8	off white paint Unit # 121-124	2476.00			
9					
10	Roof, sheetrock, paint				
11	Unit # 111	535.25			
12					
13					
14					
15					
16					
17					
18					
19					
20					
RECEIVED BY		KEEP THIS SLIP FOR REFERENCE			

Rafe Eubanks Construction's Copy of Same
Invoice

007265

HOUSING AUTHORITY OF THE TOWN OF LOGANSPORT P.O. BOX 470 LOGANSPORT, LOUISIANA 71078		COMMUNITY BANK OF LOUISIANA 84-458/1111		CHECK NO.	
PAY SEVEN Thousand ONE Hundred TWENTY-SIX and 25/100		DATE May 17, 2001		AMOUNT \$7,126.25	
TO THE ORDER OF Rafe Eubanks Construction P.O. BOX 108 Stonehill LA 71078		AUTHORIZED SIGNATURE Johnny Barnes			
HOUSING AUTHORITY OF THE TOWN OF LOGANSPORT 05/17/2001 Rafe Eubanks Construction		\$7126.25		CHECK NO. 007269	
14111460		7126.25			
HOUSING AUTHORITY OF THE TOWN OF LOGANSPORT 05/17/2001 Rafe Eubanks Construction		\$7126.25		CHECK NO. 007265	
Construction on units					

Housing Authority Check Paid to Rafe
Eubanks Construction

159008

CUSTOMER'S ORDER NO.		DEPARTMENT		DATE 5-18-01	
NAME AD Gates					
ADDRESS P.O. Box 502					
CITY, STATE, ZIP Loganport LA 71049					
SOLD BY CASH C.O.D. CHARGE ON ACCT. MOSE RETD PAID OUT					
QUANTITY	DESCRIPTION	PRICE	AMOUNT		
1					
2					
3					
4					
5					
6					
7	Dog eared				
8	Fencing yard				
9	1 Double gate				
10	1 Single gate				
11					
12					
13					
14	1x10x6 Treated				
15	Timber Post 8'				
16	cement post				
17	3 2x4 Rails				
18	Between Post				
19					
20					
RECEIVED BY		KEEP THIS SLIP FOR REFERENCE			

Rafe Eubanks Construction's Copy of Invoice to
AD Gates for Fence Work

We showed Ms. Gates the back of one check to Mr. Billy White that showed the account number where the check was deposited. Ms. Gates agreed that this was her personal bank account. She stated further that she cashed the check and gave the money to Mr. Raymond White for his son Billy. A review of the checks to Raymond and Billy White shows that at least five of the 17 checks went into Ms. Gates' bank account.

Ms. Gates authorized pay increases and bonuses for herself and the housing authority secretary, Ms. Vicki Fisher, totaling \$23,400 between January 1999 and April 2003. Ms. Gates paid herself two raises, one in July 2000 that increased her pay from \$1,500 to \$1,833 and one in July 2002 that increased her pay from \$1,833 to \$2,500. In addition, she authorized and paid herself two bonus payments, one for \$720 in January 1999 and one for \$1,080 in December 1999. Ms. Vicki Fisher also received a pay increase from \$400 to \$800 in July 2002. The housing authority has the responsibility for the selection and compensation of all employees; however, there is no mention in the housing authority minutes of the board approving the raise or bonus payments.

Between August 1999 and January 2003, Ms. Gates co-signed housing authority checks totaling \$50,555 made payable to five separate companies. The companies are A & J Repair, Juarez Construction, Juarez Plumbing, Joyce's Interiors, and Interior Designs. We were unable to locate any of these companies. In addition, housing authority and town records indicate that the addresses of two of the companies are located on property owned by Ms. Gates. Finally, housing authority checks made payable to several of these companies appear to have been deposited into Ms. Gates' personal bank account. It is a violation of the Louisiana Code of Ethics for a public

employee to conduct business with a company in which he/she has an interest.¹ Ms. Gates, through her attorney, refused to discuss these issues with our office.

979539/NC2581 CVT 8/98
carbonless Adams NC2581 2 PART

No.

DATE 6/12/01
ORDER NO.

NAME Logansport Housing Auth.
ADDRESS P.O. Box 502 Logansport, LA 71009

SOLD BY ☐ CASH ☐ C.O.D. ☐ PAID OUT
☐ CHARGE ☐ MERCHANDISE RETURNED

QUANTITY	DESCRIPTION	PRICE	AMOUNT
	<u>Painted inside 7 units</u>		
	<u>and made repairs in walls</u>		
	<u>Repaired drives +</u>		
	<u>walkways.</u>		
	<u>Cemented where</u>		
	<u>needed at 3 sites.</u>		
	<u>and repaired.</u>		
	<u>Total</u>	<u>3750.00</u>	
	<u>CK# 7301</u>		
	<u>Paid in Full</u>		

Adams NC2581
SIGNATURE _____
ALL CLAIMS AND RETURNED GOODS MUST BE ACCOMPANIED BY THIS BILL.
GENERAL PURPOSE

Copy of Original Invoice from A & J Repairs Found in Desk of Executive Director

A & J Repair

Housing authority records show that Ms. Gates co-signed ten checks made payable to A & J Repairs between June 2001 and January 2003. These checks total \$36,700. Only two of these checks were supported with invoices. These two invoices were copies of generic invoices that had no pre-printed company information and were not numbered. Mr. Dan Strange, fee accountant for the housing authority, found the original of both of the invoices attached to a book of generic invoices in Ms. Gates' desk at the housing authority. These originals are identical to the copies supporting the two checks to A & J Repairs.

The housing authority vendor list, as well as the checks made payable to A & J Repairs, gives the physical address of the company. It is a residential address within the Logansport town limits. Town records indicate that Mr. Aubrey Gates and Ms. Joyce Gates have been paying taxes on this property since at least 1997.

We were unable to determine whether this work was performed or whether it was commensurate with the payment.

Juarez Construction/Juarez Plumbing

Two housing authority checks co-signed by Ms. Gates were made payable to Juarez Construction. An additional check also co-signed by Ms. Gates was made payable to Juarez Plumbing. The total amount of these three checks was \$12,350. None of the checks were supported with invoices. The backs of two checks show the account number where the checks

¹ R.S. 42:1113 provides, in part, that no public servant, excluding any legislator and any appointed member of any board or commission and any member of a governing authority of a parish with a population of ten thousand or less, or member of such a public servant's immediate family, or legal entity in which he has a controlling interest shall bid on or enter into any contract, subcontract, or other transaction that is under the supervision or jurisdiction of the agency of such public servant.

were deposited. Ms. Gates had previously identified this account number as her personal bank account.

FROM : LOGANSPORT HOUSING AUTHORITY FAX NO. : 318 697 4040
7/31/2002 6:23 ABC DISTRIBUTING, INC. -> JOYCE'S INTERIORS Page 1 of 2 Sep. 09 2003 03:01AM P3

abc DISTRIBUTING, INC.
P.O. Box 619092 TEL: (305) 944-6971
N. Miami, FL 33261-9092 FAX: (305) 944-3281
www.abcdistributing.com

WELCOME

ACCT: 71049035902
ATTN: G GATES
JOYCE'S INTERIORS
1208 DENNIS ST
PO BOX 502
LOGANSPORT, LA 71055

ORDER LIMIT: \$150.00
JULY 31, 2002
PHONE: (318) 697-2270
FAX: (318) 697-4040

Welcome to abc Distributing

We are happy to have you as a new customer. Please visit our convenient Web Site at www.abcdistributing.com where you can shop online from our most recent catalogs.

For over 50 years, abc has been offering our customers unique, high quality merchandise, incredible value prices and outstanding service.

As a special way of welcoming you to abc, we are offering you:

- An account number (shown above)
- A generous house order limit (\$150.00)
- New and exciting items every month in our catalogs

Your house order limit lets you start shopping with abc right away, simply:

- Place your order
- Inspect your purchase
- Make full payment within 10 days of merchandise receipt.
- It's that easy! There is no credit card, no interest to pay, and no forms to fill out.

At abc, ordering is easy and convenient. To place an order:

- Visit our Web Site at www.abcdistributing.com
- Call 1-305-944-6200 Monday-Friday 8:30a.m. to 5:00p.m. EST.
- FAX orders 24 hours a day, 7 days a week at 1-305-944-3281.

In addition, on our Web Site, you can:

- Track any order you have placed
- View the shipping status of any item
- Check if we have received your payments or returns
- See which invoices are unpaid
- Receive instant confirmation of any order you've just placed
- Browse our current and previous catalog with hundreds of value-packed items

Remember, your house order limit is activated, take advantage of the terrific abc values today and if you have any questions, please call our Customer Service Department at 1-305-944-6971 weekdays from 8:30a.m. to 5:00p.m. EST. We look forward to serving you soon.

Sincerely,
abc Distributing, Inc.

NOTE: If you receive this FAX through the mail, we were not able to send a FAX to your company at the FAX number on file. Should you wish to receive faxes from us, please contact our Customer Service Department. "GENERAL INFORMATION" is included.

Address of
Letter Links
Joyce's
Interiors to
Joyce Gates

Interior Designs

Two housing authority checks co-signed by Ms. Gates were made payable to Interior Design--one for \$600 and one for \$150. Neither check was supported with an invoice. The back of one of the checks shows the account number where it was deposited. Ms. Gates had previously identified this account number as her personal bank account.

Joyce's Interiors

Ms. Gates co-signed a housing authority check for \$800 payable to Joyce's Interiors on January 4, 2001. The invoice supporting this check indicates that the payment is for a desk, pictures, decorations, and labor. Approximately a year and a half later, ABC Distributing Company wrote a welcome letter to Ms. Gates. The letter links Joyce's Interiors with Ms. Gates in its heading.

Welcome Letter from ABC Distributing Co. to Joyce Gates

SPLASH!

• Shreveport, LA 318-797-6218 • Hurst, TX 817-590-0333
• Baton Rouge, LA 504-766-8800 • Jacksonville, FL 904-737-9999
• Bossier City, LA 318-212-0205

Sold By _____ Phone _____ Date _____

Name Joyce Gates

Address Logansport Housing

City Logansport State LA Zip 71055

QTY.	ITEM #	DESCRIPTION	PRICE	AMOUNT
1	9318	Stop		344.09
3	4500		98	294.00
2	9230	3 Locks 2.49	284	4.98
1	9170	4-1 tablets 11.95		11.95
				372.48
		Check # 8505		28.37
				344.09
				372.48

COMMENTS:

Tax _____
Total _____

Pool Supplies Purchased by the Logansport Housing Authority

We were unable to determine whether the housing authority received these items or whether the items are worth the \$800 paid.

UNNECESSARY PURCHASES

Federal regulations applicable to housing authorities require that for costs to be allowable, they must be reasonable and necessary for the administration of the federal grant. Numerous purchases by the Logansport Housing Authority do not meet this standard. Between May 1999 and June 2003, the housing authority spent \$4,986 on goods and services that do not appear reasonable given the purpose of the housing authority. The checks used to make these purchases were all co-signed by Ms. Gates. Some of the goods and services include dry cleaning, toys, food, Christmas decorations,

eyeglasses, pet food, and make-up. One purchase was for pool chemicals even though the housing authority does not have a pool. The check stubs for these purchases indicate that they were for office supplies, water heater maintenance supplies, and uniform cleaning. Ms. Gates, through her attorney, refused to discuss the issue with this office.

MISSING ITEMS

Between April 2000 and March 2001, Ms. Gates co-signed housing authority checks for the following items: a \$457 power washer from Lowe's, a \$334 chainsaw from the Saw Shop, an \$800 refrigerator from Sears, and a \$1,659 portable building from LaHood's Mobile Homes. None of these items are currently at the housing authority. The total cost of these items is \$3,250.

According to Mr. White, the housing authority has never owned a power washer or a chain saw. The refrigerator is 25.6 cubic feet. The current executive director stated that the housing authority does not have a refrigerator this size.

The housing authority purchased a beige and tan portable building in April 2000 from LaHood's. This portable building is not currently at the housing authority; however, a gray and blue portable building is at the housing authority. It was purchased in June 1999 and was also from LaHood's. LaHood's does not keep records on where deliveries are made. However, the deliveryman from LaHood's stated that he remembers delivering the portable building purchased in 1999 to the housing authority. The one purchased in 2000, he delivered to a camp on River Road. Ms. Gates owns a camp on this same road.

EXECUTIVE DIRECTOR REQUIRES EMPLOYEE TO PERFORM PERSONAL WORK

According to Mr. Raymond White, he regularly performed personal work for Ms. Gates and her family during work hours. The work included mowing the lawn at Ms. Gates' residence, preparing Ms. Gates' camp for winter, splitting and stacking firewood, and painting. The approximate value of this work is \$1,536. According to Mr. White, Ms. Gates told him that this work was part of his regular workweek.

On at least three occasions, Ms. Gates told him to go to Ivy Lumber Company, pick up items, and deliver them to her residence. The items included lumber, mortar mix, and nails. Ms. Gates told him to put these items on the housing authority account. We were unable to determine the cost of the supplies delivered to Ms. Gates' residence.

Mr. White believed that it was wrong to do these things, but he did as he was told.

HIRING IMMEDIATE FAMILY MEMBERS

From October 1997 to April 2003, Ms. Gates co-signed housing authority checks totaling \$13,412 to immediate family members. Ms. Gates co-signed payroll checks to her daughter, Ms. Vicki Fisher, for wages totaling \$12,412. According to Ms. Fisher, her job duties were to collect rent and do house inspections.

On September 19, 2000, Ms. Gates co-signed a housing authority check for \$1,000 to JB Power Washing. The supporting invoice indicates that the work was for power washing units. Mr. Brad Gates endorsed the check. Mr. Brad Gates is the son of Aubrey and Joyce Gates.

It is a violation of the Louisiana Code of Ethics² for a director of a housing authority to hire immediate family members as employees.

Summary of Misappropriated Funds

Ms. Gates failed to ensure that housing authority funds were either collected or spent appropriately in the following ways:

• Failing to deposit rent collections	\$20,576
• Personal purchases	29,040
• Checks not received by employees	9,679
• Unauthorized salary increases and bonuses	23,400
• May have contracted with herself	50,555
• Unnecessary purchases	4,986
• Missing items	3,250
• Requiring an employee to do personal work	1,536
• Hiring family members	13,412
Total	<u><u>\$156,434</u></u>

MINUTES EXIST FOR BOARD MEETINGS THAT MAY NOT HAVE OCCURRED

Between August 1995 and July 2000, there are typed minutes for 21 board meetings. There are no board minutes after July 2000. Ms. Gates signed 19 of these minutes. The signatures of the board members listed as having attended these meetings are on the minutes. Based on interviews with board members during this period, it does not appear that there were any board meetings even though the bylaws for the housing authority require board meetings every six months. When shown their signatures on the board minutes, most of the board members stated unequivocally that these were not their signatures.

INTERNAL CONTROL WEAKNESSES

Internal control weaknesses at the housing authority can be grouped into four categories: board appointments and supervision, cash collections, disbursements, and personnel policy. Each area of internal control weakness is discussed as follows:

² **R.S. 42:1119** provides in part that no member of the immediate family of a member of a governing authority or the chief executive of a governmental entity shall be employed by the governmental entity.

Board Appointments and Supervision

R.S. 40:531 gives the chief elected official of the municipality or parish the authority to appoint commissioners to the housing authority's board of commissioners. The Honorable Dennis Freeman, Mayor of Logansport, has appointed eight commissioners to the housing authority's board since the beginning of Ms. Gates' tenure as executive director. As chief elected officer of Logansport, Mayor Freeman has a duty to appoint competent informed commissioners to the housing authority board. Mayor Freeman did not determine the commissioners' basic skills or qualifications nor did he inform the commissioners of their duties as commissioners when making the appointments.

According to Mayor Freeman, he did not choose the commissioners while Ms. Gates was the executive director. When Ms. Gates had a vacancy on the board she would call him, recommend a replacement, and he would endorse that person. He stated that he knew the commissioners personally and they were all good people. Mayor Freeman also stated that he did not meet with the prospective commissioners nor did he explain their duties or responsibilities as a commissioner to them. The mayor stated that he trusted Ms. Gates because she was hired by commissioners whom he trusted.

Based on interviews with former and current board members, it appears that over the course of nearly nine years, there were no board meetings. The requirement to have regular board meetings is stated explicitly in the bylaws of the housing authority. The lack of board meetings constitutes an almost complete abdication of responsibility by the board. There appears to have been literally no supervision over the day-to-day operations of the housing authority by the board.

Cash Collections

In examining the records, we noted that while Ms. Gates was the executive director tenants were allowed to remit their rent in cash. On numerous occasions the cash collected for a deposit period was not deposited into the bank. Ms. Gates was involved in collecting the rent, preparing the deposit slip, taking the deposit to the bank, and reconciling the bank statement.

To ensure that all cash collected is properly recorded and deposited, the cash collection process should be divided among several employees, each responsible for part of the process. Because the housing authority had a limited number of employees, Ms. Gates had to perform all of the above listed responsibilities. In spite of the lack of separation of duties, the board did not routinely supervise its staff by reconciling collections to deposits and verifying that all rents were received.

Disbursements

During our review we noted numerous instances where housing authority checks had no support. Many of the checks that did have support relied on copies of original invoices. We could find no instances of invoices marked "paid" by the housing authority to prevent duplicate payments. In addition, the housing authority has several credit cards. Purchases made on these cards are not

supported with detailed receipts. The housing authority does not have written procedures for disbursing funds either through checks or credit card purchases.

Several board members stated that they would sign blank housing authority checks on a regular basis without explanation from Ms. Gates except that the checks were to pay for housing authority expenses. Also, the invoices supporting the checks were not reviewed by a member of the board prior to payment. This practice clearly facilitated many of the improper transactions noted above. Although several board members stated that they felt uncomfortable with this practice, they continued doing it at the request of Ms. Gates.

Personnel Policy

Ms. Gates hired her daughter as a housing authority employee, hired her son as a contract vendor, contracted with herself, and required a housing authority employee to perform work at her personal residence. The housing authority had no written job descriptions or hiring policies. In addition, the board did not oversee the hiring or work practices of housing authority employees.

Ms. Gates submitted her resignation to the board of commissioners on June 19, 2003.

This report has been provided to the District Attorney for the Eleventh Judicial District of Louisiana and United States Attorney for the Western District. The actual determination as to whether an individual is subject to formal charge is at the discretion of the district attorney or the United States Attorney.^{3, 4 5, 6}

³ **R.S. 14:67** provides, in part, that theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations.

⁴ **18 U.S.C. §666** provides, in part, that theft concerning programs receiving federal funds occurs when an agent of an organization, state, local, or Indian tribal government or any agency thereof embezzles, steals, obtains by fraud, or otherwise intentionally misapplies property that is valued at \$5,000 or more and is owned by or under control of such organization, state, or agency when the organization, state, or agency receives in any one year period, benefits in excess of \$10,000 under a federal program involving a grant contract, or other form of federal assistance.

⁵ **R.S. 14:134** provides, in part, that malfeasance in office is committed when any public officer or public employee shall (1) intentionally refuse or fail to perform any duty lawfully required of him, as such officer or employee; (2) intentionally perform any such duty in an unlawful manner; or (3) knowingly permit any other public officer or public employee, under his authority, to intentionally refuse or fail to perform any duty lawfully required of him or to perform any such duty in an unlawful manner.

⁶ **R.S. 14:140** provides, in part, that public contract fraud is committed when any public officer or employee shall use his power or position as such officer or employee to secure any expenditure of public funds to himself, or to any partnership to which he is a member, or to any corporation of which he is an officer, stockholder, or director.

Recommendations

The mayor should, prior to appointing a new commissioner, clarify the duties and responsibilities involved and ensure that the individual is willing and capable of performing those duties and responsibilities as a board commissioner. The board commissioners should be active participants in the daily operation of the housing authority, providing direction and support to the executive director.

The Board should review its bylaws and the policies and procedures set forth by HUD. Specifically, the board commissioners and executive director should:

- (1) review expenditures at each meeting ensuring that proper documentation accompanies each check and that the funds are expended for the benefit of the housing authority;
- (2) review the reconciliation of all housing authority accounts;
- (3) ensure that all housing authority checks are co-signed by the chairman and the executive director;
- (4) adopt an amendment to the bylaws to ensure that neither the board chairman nor board commissioners are signing blank housing authority checks or other blank housing authority documents;
- (5) review what constitutes an allowable purchase in the Consolidated Annual Contributions Contract that the housing authority has made with HUD;
- (6) ensure that only allowable expenses are reimbursed;
- (7) ensure that all housing authority checks have supporting original receipts or invoices prior to payment;
- (8) periodically review tenant rent files and inventory files to ensure that the files are updated;
- (9) ensure that housing authority tenants remit their rent payments by check or money order and not cash;
- (10) hold board meetings as required by bylaws and properly record these meeting as required by R.S. 42:7.1;

- (11) prepare and approve annual budgets and ensure that the executive director uses housing authority funds in accordance with the approved budget; and
- (12) ensure that purchases are made in accordance with the public bid law when applicable.

Attachment I

Management's Response

THE HOUSING AUTHORITY OF THE TOWN OF LOGANSPORT

BOX 470

LOGANSPORT, LOUISIANA 71049

December 1, 2003

Mr. Grover C. Austin
First Assistant Legislative Auditor
Office of the Legislative Auditors
State of Louisiana
Baton Rouge, Louisiana 70804-9397

RE: Investigative Audit Report

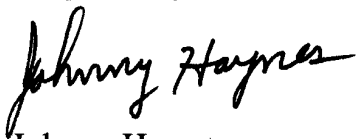
Dear Mr. Austin;

The Logansport Housing Authority accepts the findings of your office presented forth in the investigative audit report concerning our agency.

In the report, it sites recommendations to help avoid possible reoccurrences of this situation. I am pleased to share with you that the Board of Commissioners as standard operating procedure has already adopted many of the recommendations. Others are under advisement and review for probable implementation.

I, together with the Board of commissioners wish to convey our heartfelt thanks to the personnel of your office for their tireless work and attention to detail during the course of this investigation. It has been a pleasure to work with your staff.

Respectfully;

A handwritten signature in black ink, appearing to read "Johnny Haynes", written in a cursive style.

Johnny Haynes
Chairman,
Logansport Housing Authority